



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
KNOTT COUNTY CLERK**

Calendar Year 1998

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
WWW.KYAUDITOR.NET**

**144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELE. (502) 564-5841
FAX (502) 564-2912**



Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Donnie Newsome, Knott County Judge/Executive

Honorable Kenneth Gayheart, Knott County Clerk

Honorable Mike Hall, Former Knott County Clerk

Members of the Knott County Fiscal Court

The enclosed report prepared by Berger & Ross, PLLC, Certified Public Accountants, presents the statement of receipts, disbursements, and excess fees of the County Clerk of Knott County, Kentucky, as of December 31, 1998.

We engaged Berger & Ross, PLLC, to perform the financial audit of this statement. We worked closely with the firm during our report review process; the resulting audit comports with our reporting format. As part of the audit, Berger & Ross, PLLC, evaluated the Knott County Clerk's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Enclosure

**AUDIT EXAMINATION OF THE
KNOTT COUNTY CLERK**

Calendar Year 1998

Berger & Ross, PLLC
Certified Public Accountants and Fraud Examiners
800 Envoy Circle
Louisville, KY 40299-1837
(502) 499-9088
Fax: (502) 499-9132

EXECUTIVE SUMMARY

KNOTT COUNTY MIKE HALL, FORMER COUNTY CLERK CALENDAR YEAR 1998 FEE AUDIT

On August 15, 2000, fieldwork was completed on the December 31, 1998 Knott County Clerk fee audit. An unqualified opinion was rendered on the financial statements. No reportable conditions relating to the audit of the financial statements were reported.

Excess Fees:

The County Clerk paid \$9,089 to fiscal court for 1998 excess fees.

Deposits:

The Clerk's office bank deposits were insured or properly collateralized with bank assets during calendar year 1998.

CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1
Statement of Receipts, Disbursements, and Excess Fees	3
Notes to the Financial Statement	6
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of the Financial Statements Performed in Accordance With Government Auditing Standards	8

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Donnie Newsome, County Judge/Executive
Honorable Mike Hall, Knott County Clerk
Members of the Knott County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of Knott County, Kentucky, for the year ended December 31, 1998. This financial statement is the responsibility of the Knott County Clerk. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk is required to prepare the financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the receipts and disbursements of the County Clerk for the year ended December 31, 1998, in conformity with the basis of accounting described above.

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Donnie Newsome, County Judge/Executive

Honorable Mike Hall, Knott County Clerk

Members of the Knott County Fiscal Court

(Continued)

In accordance with Government Auditing Standards, we have also issued a report dated August 15, 2000, on our consideration of the County Clerk's compliance with certain laws and regulations and internal control over financial reporting.

A handwritten signature in black ink, appearing to read "Berger & Ross", with a long horizontal flourish extending to the right.

Berger & Ross, PLLC

Audit fieldwork completed -
August 15, 2000

KNOTT COUNTY
MIKE HALL, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS AND EXCESS FEES

Calendar Year 1998

Receipts

Library and Archives Grant	\$	5,208	
State Fees For Services:			
Election Personnel Expense	\$	6,535	
Voters Registration		334	
Preparing Tax Bills		1,487	
Miscellaneous		<u>813</u>	9,169
Fiscal Court:			
Salary Supplement	\$	12,463	
Miscellaneous		<u>1,134</u>	13,597
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	430,424	
Usage Tax		666,552	
Tangible Personal Property Tax		<u>694,067</u>	1,791,043
Licenses-			
Fish and Game	\$	10,182	
Marriage		5,796	
Deed Transfer Tax		6,271	
Delinquent Taxes		<u>75,004</u>	97,253
Fees Collected for Services:			
Recordings-			
Deeds, Easements, and Contracts	\$	8,344	
Real Estate Mortgages		11,893	
Chattle Mortgages and Financing Statements		46,880	
All Other Recordings		<u>11,060</u>	78,177
Other:			
Interest Earned	\$	2,338	
Miscellaneous		<u>9,384</u>	<u>11,722</u>
Gross Receipts (Carried Forward)			\$ 2,006,169

The accompanying notes are an integral part of the financial statement.

KNOTT COUNTY
 MIKE HALL, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 Calendar Year 1998
 (Continued)

Gross Receipts (Carried Forward) \$ 2,006,169

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$ 351,319	
Usage Tax	645,409	
Tangible Personal Property Tax	<u>314,848</u>	\$ 1,311,576

Licenses

Fish and Game	\$ 10,079	
Delinquent Tax	11,551	
Legal Process Tax	<u>14,176</u>	35,806

Payments to Fiscal Court:

Tangible Personal Property Tax	\$ 72,296	
Delinquent Tax	9,101	
Deed Transfer Tax	<u>5,957</u>	87,354

Payments to Other Districts:

Tangible Personal Property Tax	\$ 279,248	
Delinquent Tax	<u>34,201</u>	313,449

Payments to Sheriff 3,707

Payments to County Attorney 13,897

Operating Disbursements:

Deputies Salaries		125,000
Employee Benefits-		
Employer's Share Social Security	\$ 12,886	
Employer's Share Retirement	<u>14,944</u>	27,830

Contracted Services-

Legal and Accounting Services		5,860
-------------------------------	--	-------

The accompanying notes are an integral part of the financial statement.

KNOTT COUNTY
 MIKE HALL, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 Calendar Year 1998
 (Continued)

Supplies and Materials-		
Office Supplies	\$	2,648
Other Charges-		
Dues	\$	500
Postage		5,488
Refunds		3,908
Miscellaneous		2,523
Library and Archives Grant		<u>5,208</u>
		<u>17,627</u>
Total Disbursements		<u>\$ 1,944,754</u>
Net Receipts	\$	61,415
Less: Statutory Maximum		<u>48,726</u>
Excess Fees	\$	12,689
Less: Expense Allowance		<u>3,600</u>
Excess Fees Due County for Calendar Year 1998	\$	9,089
Payments to County Treasurer - March 10, 2000		<u>9,089</u>
Balance Due at Completion of Audit	\$	<u><u>-</u></u>

The accompanying notes are an integral part of the financial statement.

KNOTT COUNTY
MIKE HALL, COUNTY CLERK
NOTES TO THE FINANCIAL STATEMENT

December 31, 1998

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statements have been prepared on a cash basis of accounting pursuant to KRS 68.210 as recommended by the State Local Finance officer. Revenues and related assets are generally recognized when received rather than when earned. Certain expenses are recognized when paid rather than when a liability is incurred, including capital asset purchases. Certain other expenses are recognized when revenue and the related asset can be associated with corresponding liability due another governmental entity.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentality's, obligations and contracts for future delivery or purchase of obligations back by good faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

KNOTT COUNTY
MIKE HALL, COUNTY CLERK
NOTES TO THE FINANCIAL STATEMENT
December 31, 1998
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS) pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Non-hazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for non-hazardous employees was 8.65 percent.

Benefits fully vest on reaching five years of service for non-hazardous employees. Aspects of benefits for non-hazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement System's annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 1998, the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the County Clerk's agent in the County Clerk's name, or provided surety bonds which named the County Clerk as beneficiary/obligee on the bonds.

Note 4. Grant

The County Clerk received local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$13,325. The unexpended grant balance as of January 1, 1998 was \$5,057. Interest income for 1998 was \$151. Funds totaling \$5,208 were expended during calendar year 1998.

THIS PAGE LEFT BLANK INTENTIONALLY

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Donnie Newsome, County Judge/ Executive
Honorable Mike Hall, Knott County Clerk
Members of the Knott County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the Knott County Clerk As of December 31, 1998, and have issued our report thereon dated August 15, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Knott County Clerk's financial statement as of December 31, 1998, is free of material misstatement, we performed tests of compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Knott County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be

Honorable Donnie Newsome, County Judge/Executive
Honorable Mike Hall, Knott County Clerk
Members of the Knott County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statements Performed In Accordance with Government Auditing Standards
(Continued)

This report is intended for the information of management. However, this report, upon release, is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Berger & Ross", with a long horizontal flourish extending to the right.

Berger & Ross, PLLC

Audit fieldwork completed –
August 15, 2000

